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UNCLAS ABU DHABI 03484

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UNCLAS ABU DHABI 003484

SIPDIS

SENSITIVE

DEPARTMENT FOR NEA/ARP AND EB/IFD/OMA
TREASURY FOR DEBT POLICY

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [PREL](#) [IZ](#) [TC](#)
SUBJECT: CONSULTING WITH IRAQ'S NON-PARIS CLUB CREDITORS

REF: A) STATE 206295

¶1. (SBU) Summary: MFA U/S Al-Noaimi told the Ambassador that the UAE is not currently asking the Iraqis to repay their debt and was not raising it with the IIG. He said that the IIG had asked to send a team to the UAE to discuss debt, but had not done so yet. Ministry of Finance Assistant U/S Khalid Al-Bustani subsequently told Econchief that he had discussed the IMF's request for financing assurances with the UAE executive director to the IMF and didn't see any problems with giving those assurances. He emphasized, however, that he had not seen a formal request from the IMF. Al-Noaimi stated that it was premature to negotiate a debt restructuring/forgiveness deal with the Iraqis before their election. End Summary.

¶2. (SBU) Ambassador raised Iraqi debt with MFA U/S Abdullah Rashid Al-Noaimi while discussing Iraqi reconstruction and other issues. Al-Noaimi said that the UAEG was not currently asking the Iraqis to repay their debt and wasn't raising it with the IIG. When Ambassador asked whether the IIG had raised it with the UAEG, Al-Noaimi said that the UAEG had responded positively to an IIG request to send a team to the UAE to discuss debt issues. Al-Noaimi added that he IIG team had not yet visited the UAE. He emphasized that the Iraqis had higher priorities: obtaining new assistance.

¶3. (SBU) Al-Noaimi said that it was premature to negotiate with the Iraqis about debt forgiveness and rescheduling. He explained that the IIG would be replaced shortly with an elected government and asked, rhetorically, whether anyone in the IIG could commit themselves to a debt agreement before the election. He then reiterated that the UAEG was

not interested in debt repayment at this time and that the priority for both the Iraqis and the UAEG was rebuilding Iraq.

14. (SBU) Econchief followed-up on the Ambassador's conversation and raised reftel demarche on Iraqi debt with Ministry of Finance Assistant U/S Khalid Al-Bustani. Al-Bustani said that the UAE's executive director at the IMF had told him informally that the IMF was interested in obtaining financing assurances from creditors. He said that he didn't see any problem with the IMF's request, since the UAEG was not looking for any near term debt repayment from Iraq. He added, however, that he had not yet seen a formal IMF request and that the MFA had the lead on Iraqi issues. He suggested that econchief approach MFA with the demarche. Econchief delivered the demarche to MFA Assistant U/S Mohammed Abdul Jaleel on September 27. Abudul Jaleel reiterated Al-Noaimi's remarks about Iraqi debt. The UAEG was not interested in asking the Iraqis to repay the debt in the near future, but stated that it was premature to negotiate debt reduction with the Iraqis. Abdul Jaleel emphasized that the UAEG had told the IIG that they were welcome to visit the UAE to discuss debt, but that the IIG had not yet done so.

15. (SBU) Comment: The clear message from the UAEG is that they are not interested in obtaining any debt repayment from the Iraqis in the near future (if ever). That being the case, we believe that they intend to respond positively to the IMF's request. On the issue of reducing Iraqi debt, the UAEG has publicly agreed to forgive most Iraqi debt, and it appears as if both the UAEG and the IIG have tacitly decided to ignore or postpone any discussion on this issue. Senior IIG officials have visited the UAE several times over the last few months to discuss assistance. As far as we have been able to tell, they have not discussed debt repayments, rescheduling, or forgiveness with the UAEG. From the UAEG's (and possibly the IIG's) point of view, the UAE is a fairly minor creditor (USD 7-8 billion), especially as compared with Saudi Arabia and Kuwait. Since the UAEG is already providing the Iraqis with generous assistance and is much less concerned about either repayment or "balancing the books" on Iraqi debt than other creditors, neither they nor the Iraqis seem to feel any urgency to resolve this issue for the time being. Both sides may decide to quietly ignore the whole debt question. End Comment

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